7:Gluckstein S-4 (no date)1952 .E1 Europe E1

CHAPTER II

CHANGES IN PROPERTY RELATIONS IN INDUSTRY, TRANSPORT, BANKING INSURANCE AND TRADE

★

THE CHANGES in land ownership dealt with above had a relatively simple result—the predominance of small peasant ownership. By contrast, the property relations in industry, transport, etc., are much more complicated. In order to understand the present situation, it is necessary briefly to survey the property relations before the war, the influence of the Nazi occupation, and the immediate effects of the Red Army's victory.

State Ownership before World War II

In Eastern Europe the bourgeoisie developed late and, in comparison with its Western competitors, was weak and poorly equipped with capital. Thus there arose two antagonistic, but complementary, phenomena. On the one hand foreign capital infiltrated into the region, and on the other hand, in an attempt to avoid relying too much on foreign capital which tended to undermine national independence, the state became the owner of certain means of production, and not, as in the West, mainly a watchman or regulator of the activities of private capitalists. And between and under the pressure of the two—powerful foreign and state capital—private "national" capital managed somehow to keep alive.

The part played by the state in industry was greater in Poland than in any other Eastern European country:

GOVERNMENT-OWNED ENTERPRISES IN PRE-WAR POLAND (1938) AND THEIR PARTICIPATION IN INDUSTRIES

Per Cent	
100	production of potassium salts, alcohol; tobacco; aircraft; automobiles; air transportation; post; telegraph; radio.
97	maritime transportation

7:Gluckstein S-4 (no date)1952 El Europe El

95	production of dyestuff
93-3	railroads
91	fire insurance
84	production of common salt
73	telephones
70	smelting
52	insurance other than fire
50	spas and health resorts
45-8	financial institutions
30 (approx.)	production of tool-making machinery*
32	quarries, export of lumber†
25	production of natural gas, coal and chemicals‡
10 to 20	production of plywood, cotton goods, electrical implements, lumber, processed oil
7-9	production of electric power

(S.L. Sharp, *Nationalization of Key Industries in Eastern Europe*, Washington, 1946, pp. 4-5)

There were many mixed enterprises owned partly by the state and partly by local authorities, private companies and individuals.

The value of state enterprises in Poland in 1930-31 was about 12½ milliard zloty, or 22.5 per cent of all the industrial-commercial wealth of Poland, and in the most important undertakings (heavy industry, metal, chemicals, transport), its share was even bigger, as the table shows.

In Yugoslavia the state owned the railways and the telephone and telegraph system. Public utilities were owned by the city authorities. In the very important timber and lumber industry, the state played a considerable part, owning 37.8 per cent of the forest area. A further 27.9 per cent was in the hands of the local authorities. The state owned thirteen coal mines and two iron mines yielding about 25 per cent and 90 per cent respectively of the country's total output of coal and iron. Tobacco, salt and raw silk were all state monopolies. The production of iron and steel (through the Yugoslav Steel Company), and of armaments, was state controlled and the state had a very large share in the cellulose and sugar industries.

State ownership in the other Eastern European countries was far less extensive, nevertheless it cannot be ignored. For instance, in Czechoslovakia, practically the whole railway system was state owned. Trams, electricity, gas and water,

*Another source gives the percentage of state ownership of the metal industry, as a whole, as 50 per cent (F. Zweig, *op. cit.* p.109).

†Zweig gives the following figure for the state ownership of forests: three-eighths (Ibid).

‡According to Zweig the larger part of the chemical industry was state owned (Ibid).

7:Gluckstein S-4 (no date)1952 El Europe El

 471 655

were owned by the local authorities. State capital was of major importance in the powerful Zivnostenska Bank and in the Skoda Works. In industry as a whole, the state owned at least a tenth of all capital invested.

Similar conditions obtained, to a greater or less extent, in the other countries.

Foreign Capital before World War II

471

Before the War in all the countries nearly all the key positions in industry, transport and banking were controlled by foreign capital. Thus Zweig writes:

'The share of foreign capital in the total capital funds owned by all joint-stock companies in Poland amounted to 33 per cent. The share in the total capital of all active joint-stock companies is given as 44.8 per cent in 1935 and 40.1 in 1937' but '. . . the controlling power of this capital covered a much wider range than 40.1 per cent of productive capacity'. (Ibid. p. 121). This was because foreign capital, being concentrated in certain key positions, could control a much larger volume of capital. Companies in which foreign capital predominated constituted 63.1 per cent of the capital of all joint-stock companies. The preponderance of foreign capital was particularly great in certain branches of industry—in mining and foundries foreign capital controlled 63.6 of all joint-stock industry; in petroleum extraction, 89.9 per cent; in the chemical industry, about 80 per cent; in the electro-technical industry, about 90 per cent; in electricity and water-supply, about 95 per cent; in the textile industry, about 40 per cent (ibid. pp. 121-2); in insurance, 85.1 per cent; communication and transport, 68.9 per cent (L. Wellisz, *Foreign Capital in Poland*, London, 1938, p. 145). Only in light industries (foodstuffs, paper, glass, ceramics, etc.) and trade was foreign capital of small importance.

The other countries of Eastern Europe were in a similar position. Boris Kidrić, Chairman of the Planning Commision, at the Fifth Congress of the Communist Party of Yugoslavia, said of his country that foreign capital 'participated in the mining industry of the old Yugoslavia and in the building materials industry with 77.9%, in the metallurgical industry with 90.9%, in the processing of metals with 55.8 %, in the

7:Gluckstein S-4 (no date)1952 E1 Europe E1

471 private hands. In practice, nationalisation was carried out without legal sanction and under cover of a law passed on 24th November, 1944, for the expropriation of the property of the national enemy and his collaborators. On 19th January, 1946, *The Economist* estimated that the proportion of state and co-operative industry in Yugoslavia was 70-80 per cent, and the Moscow journal *New Times* of 15th March, 1946, wrote: 'The Government is in possession of 82 per cent of all industry, while private establishments account for only 18%'.

474 After this survey of the ownership of industry in Poland, 655 Czechoslovakia and Yugoslovia, a brief examination is 443 necessary of the control of trade. In all three countries private property lingers on to a large extent in one sphere besides agriculture, that of retail trade. In his speech mentioned above, Roman Zambrowski pointed out that in Poland the state and the co-operatives handle only 25-30 per cent of retail trade (in wholesale trade private ownership is negligible, the state taking 59 per cent of the turnover, the co-operatives 36.6 per cent, a total of 95.6 per cent). A similar situation exists in Czechoslovakia. Of the situation in Yugoslavia, B. Kidrić, said: 'Whereas in 1945, 85% of trade was still carried on through private shops, 12% through co-operatives and only 3% through state shops, in 1946 state shops already participated in trade with 19.2%, cooperative with 32% and the private shops dropped to 48.8%' (B. Kidrić, op. cit. p. 29).

'. . . on March 31st, 1948, private shops still participated with only 1.78%, the state shops with 39.91% and the co-operative with 58.31%'. (Ibid. p. 31).

In May, 1948, a new law nationalised all the remaining private trade in Yugoslavia.

In these three countries, the proportion of the economy in private hands was no greater than in Soviet Russia during the N.E.P.*

Hungary and Rumania

In Hungary and Rumania, Russia's demand for reparations and her schemes for the building of mixed companies which

*According to the Comintern weekly, *International Press Correspondence*, of 26th November, 1927, the percentage of private industry in the total industrial production of Russia in 1925/6 was 18.7 per cent. The proportion of wholesale trade in private hands was 9.4 per cent of the turnover and of retail trade 38.8 per cent (In 1927/8 the figures were respectively 1.5 and 27.0).